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Resistance to Multilateral Influence on Reform: The Political Backlash against Private Infrastructure Investments

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Abstract:
Coercive isomorphism is a prominent source of institutional change. The literature to date has emphasized how actors that are powerful and legitimate (e.g., a national government) may coerce the adoption of reforms by dependent actors (e.g., state governments and other organizations whose activities are governed by the federal government). We observe that an actor's power alone may be sufficient to promote reform, regardless of the actor's legitimacy. However, such reforms are more susceptible to subsequent change than are those that emerge from processes not subject to the influence of external actors whose sway derives from their power alone. We develop and test our arguments in the context of the worldwide electricity provision industry by analyzing countries' adoption of reforms in response to conditional lending practices by multilateral organizations such as the World Bank and the IMF. We find that reforms adopted in response to coercive pressures exerted by these organizations encounter much greater resistance, and that the incidence of financial and economic crises, the absence of checks and balances in established political institutions, and the inexperience of investor coalitions dramatically increase the predicted level of resistance.

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Abstract:

Coercive isomorphism is a prominent source of institutional change. The literature to date has emphasized how actors that are powerful and legitimate (e.g., a national government) may coerce the adoption of reforms by dependent actors (e.g., state governments and other organizations whose activities are governed by the federal government). We observe that an actor's power alone may be sufficient to promote reform, regardless of the actor's legitimacy. However, such reforms are more susceptible to subsequent change than are those that emerge from processes not subject to the influence of external actors whose sway derives from their power alone. We develop and test our arguments in the context of the worldwide electricity provision industry by analyzing countries' adoption of reforms in response to conditional lending practices by multilateral organizations such as the World Bank and the IMF. We find that reforms adopted in response to coercive pressures exerted by these organizations encounter much greater resistance, and that the incidence of financial and economic crises, the absence of checks and balances in established political institutions, and the inexperience of investor coalitions dramatically increase the predicted level of resistance.

1 Introduction

Political actors that coerce dependent actors to undertake institutional change are often assumed to succeed on account of both their power and legitimacy.[1] Accordingly, reforms (of policies or practices) adopted in response to legal coercive influences (such as reforms adopted by state governments in response to pressure from the central government) are often assumed to enjoy an initial positive evaluation by actors in the adopting organization, which confers "morally-based" legitimacy (Suchman, 1995) on these elements and allows them to survive for a sufficiently long period to undergo the process of institutionalization and attain "cognitively-based legitimacy" (or "taken-for-grantedness" (Suchman, 1995)).

Legitimacy is not, however, a necessary precondition for effective coercion; power alone is sufficient (Weber, 1978; DiMaggio and Powell, 1983). Powerful actors may therefore be considered illegitimate by the dependent actors that they coerce to adopt reforms, and reforms adopted in response to coercion by such actors may thus be deemed illegitimate, increasing the probability that actors in society will resist their adoption and institutionalization (Weber, 1978: 33-38).

A substantial body of work has considered how coercive pressures may generate the formal adoption of a reform but a decoupling of the actual behavior of actors from the "myth and ceremony" of compliance with the letter of that reform (Meyer and Rowan, 1977; Westphal, Gulati, and Shortell, 1997; Staw and Epstein, 2000). In contrast, only two smaller bodies of work consider, as we do, the determinants of resistance to formal adoption that at least initially generates changes in actual behavior. The literatures on social movements (Barkan, 1984;

[1] For important exceptions, see Stryker's (1994) examination of the impact of the introduction of science into law on the legitimacy of law and Patashnik's (2003) qualitative study of policy-feedback effects.

Griffin, E., and Rubin, 1986; Kerbo and Shaffer, 1992) and procedural justice (Tyler, Rasinski, and McGraw, 1985; Tyler, 1994) have considered the mechanisms that individuals (or interest groups representing like-minded individuals) use to resist reforms adopted primarily due to the influence of powerful external actors who lack legitimacy. We build on these micro-level studies by using neoinstitutional theory to analyze the conditions under which macro-level (i.e., country- or organization-level) reforms adopted in response to such influence are likely to face resistance that threatens their survival.

We consider the specific context of reforms intended to transfer (some portion of) ownership, control and operation of state-owned assets to private (and often foreign) corporations, in response to the influence of the World Bank, the International Monetary Fund and other multilateral lenders. While 92 countries adopted such reforms in1985-1999, resulting in the transfer of over one trillion dollars of assets to private ownership (in 60 countries transfers accounted for more than 5 percent of gross domestic product) (Brune, Garrett, and Kogut, 2004; Kogut and Macpherson, 2004a), these countries frequently encountered substantial resistance both at the time of reform adoption (Walton and Ragin, 1990) and subsequently (Henisz and Zelner, 2005).

Organized domestic interest groups that are adversely affected by market-oriented reforms initiate such resistance and, in an effort to capture policymakers' limited attention (Kingdon, 1984), attempt to mobilize broader segments of society by framing the reforms as foreign and illegitimate (Henisz and Zelner, 2005). The ultimate target of such resistance is the repeal of the reforms. However, disaffected interest groups often initially target narrow elements of the reform or specific investors whose activities are governed by such reforms, and governments may respond by reversing elements of the reform or with adverse actions against only certain investors (or inaction by failing to honor policy terms) as well as across-the-board policy revision or repeal.

Several conditions affect the incidence and success of resistance efforts. Resistance increases dramatically in periods of financial or macroeconomic crisis, when disaffected interest groups can frame current events as evidence of the adverse distributive consequences of market-oriented reforms. In contrast, resistance diminishes with both time (Oliver, 1991) and the level of checks and balances in a country's established political institutions (Henisz and Zelner, 2005). The efficacy of resistance efforts faced by individual investor coalitions can also vary: more experienced coalitions, or those that have greater influence over domestic policymakers, may be better able to avoid inimical policy changes and government disputes in the first place.

Our findings contribute to the literature on institutional change by empirically identifying the conditions under which external coercion generates reforms that eventually become institutionalized, and those conditions under which such reforms face sufficient resistance to undermine their stability. They also contribute to the burgeoning literature on the efficacy of multilateral lenders' "conditionality" policies, which require borrowing countries to adopt market-oriented reforms. While the World Bank and International Monetary Fund are increasingly aware of the importance of politics as well as economics for the success of their lending programs, our theoretical arguments about the determinants of resistance and empirical results that support them suggest that multilateral lenders should place greater weight on neoinstitutional theory broadly defined.

2 Institutions: Established and Emergent

According to the neoinstitutional perspective in organization theory, an institution's defining characteristic is "legitimacy" attained on "cognitive" grounds. Legitimacy refers to "the generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions" (Suchman, 1995: 574). "Cognitively-based legitimacy" (Suchman, 1995: 579-81) derives from an entity's widespread, implicit acceptance—propriety by assumption—resulting from the long-term process of "institutionalization" (Zucker, 1987).

Members of society do not actively assess institutions, which have come to possess "a reality of their own, a reality that confronts the individual as an external and coercive fact" (Berger and Luckman, 1967). This "taken-for-grantedness" imbues institutions with high resistance to change (Zucker, 1977); indeed, an institution's very "essence" is one of "permanence" (Suchman, 1995: 584).

Reforms adopted in response to multilateral influence necessarily lack cognitively-based legitimacy (Suchman, 1995: 582) because the social process of institutionalization is a lengthy one. Accordingly, investors operating whose activities are governed by such newly introduced policies and organizational entities are likely to encounter greater resistance than are their counterparts whose activities are governed by policies and organizational entities deemed legitimate. In order to distinguish these two classes of governance structures, we subsequently refer to the former as "emergent institutions" and the latter as "established institutions."

Unlike established institutions, whose consequences, procedures and structural type (Suchman, 1995: 579-81) are largely beyond normative evaluation, emergent institutions' consequences, procedures and structural type are explicitly subject to such evaluation by actors in society. If positive, this evaluation may imbue an emergent institution with "morally-based" legitimacy (Suchman, 1995: 579-81) and consequently decrease the resistance faced by investors operating under that institution; a negative evaluation, in contrast, may trigger resistance.

In the case of emergent regulative institutions, the mechanisms of resistance operate through the policymaking process, wherein interest groups that vary in their level of organization (Olson, 1965; Lowi, 1969; Wilson, 1980; Denzau and Munger, 1986) attempt to influence political actors seeking to retain office (Kingdon, 1984; Lau, Smith, and Fiske, 1991) within the constraints imposed by a formal policymaking structure (Gilligan and Krehbiel, 1980; Weingast, 1981; Weingast and Moran, 1983; McNollGast, 1987; Weingast and Marshall, 1988; Tsebelis, 2003). The primary agents of change are the organized interest groups (Olson, 1965; Stigler, 1975; Peltzman, 1976; Becker, 1983) that are most dissatisfied with how the emergent institution accommodates their interests (Holm, 1995; Sjöstrand, 1995; Greenwood and Hinings, 1996; Seo and Creed, 2002), and the most common source of dissatisfaction is the emergent institution's distributional consequences (March and Simon, 1958).

Because these primary change agents are often insufficiently powerful on their own to move the issue of change onto the limited policymaking agenda (Kingdon, 1984; Hilgartner and Bosk, 1988), they attempt to enlist the support of a broad range of "secondary" groups—other organized interest groups and diffuse, unorganized groups whose members are either marginally affected or unaffected by the emergent institution—that together are capable of capturing policymakers' limited attention (Lipsky, 1968; Schumaker, 1975; Jenkins and Perrow, 1977; Denzau and Munger, 1986; Baumgartner, 2002; Baumgartner and Mahoney, 2002). The core techniques that primary change agents use to mobilize secondary groups revolve around "framing" (Benford and Snow, 2000) the emergent institution's consequences, procedures or structural type (Suchman, 1995: 579-81) as conflicting with pre-existing "cultural preoccupations and political biases" (Hilgartner and Bosk, 1988: 63; McFarland, 1991).

3 Resistance to Emergent Institutions

3.1 Foreign Coercion

A substantial body of work argues that a powerful, legitimate actor's sanction of an emergent institution facilitates its adoption by dependent actors (Tolbert and Zucker, 1983),[2] but the issue of the resistance to the emergent institution's adoption has received considerably less attention. Tolbert and Zucker (1983) write that new elements of formal structure,

> "…once legitimated by higher level organizations, through legal mandate or other formal means, [are rapidly incorporated by] dependent organizations. This adoption is seldom problematic when the elements have high face validity and there is common agreement concerning their overall utility. However, under certain conditions, strong resistance can develop." (Tolbert and Zucker, 1983: 27)

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[2] The early studies examining the role of such external actors on the adoption of new formal institutional structures focused on the public sector. For example, building on (Benson, 1975; Rowan, 1982) argues that where the outcome of the process of policymaking among state-level legislatures, regulatory agencies and interest groups reflects a state of "balance" or consensus, local-level public sector actors are more likely to adopt and retain newly introduced state-level formal structures. Tolbert and Zucker (1983) find more rapid adoption of civil service procedures by cities in American states that mandated them and that directed the process through a single administrative source. Westney (1987) highlights the role of the Japanese state in the Meiji period in diffusing organizational models through that country's public sector. Later work demonstrated that similar coercive pressures may be generated by the state on private actors (Cole, 1985; Singh, Tucker, and House, 1986; Baron, Jennings, and Dobbin, 1988; Edelman, 1990; Baum and Oliver, 1992; Dobbin, et al., 1993; Dobbin, 1994; Sutton and Dobbin, 1996; Ruef and Scott, 1998; Strang and Bradburn, 2001; Simons and Ingram, 2003), by informal institutional pressures on private sector actors (Dacin, 1997) or by higher-level private actors on their lower-level counterparts (Levitt and Nass, 1989; Fligstein, 1990; Haveman, 1993a; Haveman, 1993b; Podolny, 1993).

More closely related to our international empirical context, researchers have also demonstrated the importance of political actors in other countries for the decisions of political actors in a focal country. Strang (1990) finds that a supportive 1960 United Nations Declaration had a strong positive impact on the subsequent diffusion of decolonization. Membership in International Labor Organization conventions enhances subsequent welfare spending (Strang and Chang, 1993) and UNESCO membership increases the probability of founding a formal science bureaucracy (Finnemore, 1993). U.S. pressure in the form of trade sanctions stimulated the adoption of intellectual property provisions by developing countries (Sell, 1995). Powerful external actors also influence the incidence of currency crises (Glick and Rose, 1998), the adoption of policies to protect the environment (Frank, Hironaka, and Schofer, 2000a; Frank, Hironaka, and Schofer, 2000b) and the adoption of quality certification (Guler, Guillén, and Macpherson, 2002).

The authors pose as examples of such conditions a lack of consensus on the value of a new element of formal structure and the presence of strong opposing coalitions or interest groups, but they "do not explore the conditions underlying such resistance" (Tolbert and Zucker, 1983).

We focus on the condition where no such legitimation occurs, and the powerful actor coerces the adoption of an emergent regulative institution on the basis of its power alone (Weber, 1978; DiMaggio and Powell, 1983). Compared to the emergent regulative institutions that the dependent actor adopts of its own accord, the "coerced" emergent institution in this case is less likely to make the transition to established institution (i.e., become institutionalized), and investors whose activities are governed by this entity are more likely to encounter resistance from disaffected interest groups—the primary change agents discussed above—and the secondary groups that the primary groups mobilize.

Inconsistency of institutional attributes. Oliver (1991) provides the most complete treatment of this topic to date, arguing that the degree of an adopting body's dependence on the coercive actor, the strength of legal sanctions for non-compliance, uncertainty in the adopting body's environment, and consistency between the emergent institution and established institutions in this environment all determine the likely degree of resistance. Of these attributes, the last one—consistency—is especially germane in the current context. The domestic policymaking process, when not subject to external coercive influences, typically produces emergent institutions whose consequences, procedures and structural type are isomorphic to those of established institutions already deemed legitimate. During periods of crisis, however, domestic actors are more likely to suppress objections they would otherwise voice in the pursuit of an expedient solution (Nelson, 1990; Alesina and Drazen, 1991; Fernandez and Rodrik, 1991; Drazen and Grilli, 1993; Williamson, 1993) and defer to the preferences of external actors promising to deliver such a solution. As a result, externally-coerced emergent institutions are less likely to be isomorphic to established institutions possessing legitimacy. Indeed, one of the main techniques that primary change agents use to mobilize secondary groups against an emergent institution is to demonstrate the entity's inconsistency with established reference points (Henisz and Zelner, 2005).

National identity and legitimate adoption processes. In addition to the likelihood that a coerced regulative structure's consequences, procedures or structural type will differ from those of established institutions, the very process of such an entity's adoption in response to an external organization whose influence derives from its power alone increases its susceptibility to change. A large body of research in the field of political sociology emphasizes the power of national identity and points to the consistency of a regulative institution's formation process with domestic procedural norms as a key determinant of the institution's legitimacy, and implicitly its survival.[3] In a classic piece on macro-level political regimes, Bendix (1978) notes that the modern nation-state derives its legitimacy from the sanction of the people, in contrast to the European kings of the sixth through 16th century, who sought to attain legitimacy (and thus retain power) through the external sanction of organized religion[4]. Bendix argues in particular that the extent to which citizens regard the process by which their preferences are aggregated into policy as legitimate determines the survival of modern regimes. Thus, the greater the shared sense of identity and community among the people of a nation, the greater the stresses and

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[3] Similar arguments are made at the organizational level by Fox-Wolfgramm, Boal & Hunt (1998) who demonstrate the importance of consistency a proposed institutional change with actors' "cognitive schema or perception of their organization's central and distinctive attributes" (Elsbach and Kramer, 1996: 442) as a pivotal factor in determining the level of observed resistance by bank workers to regulatory reform.

[4] Specifically, Bendix (1978) argues that the ability of a monarchy to survive in a given polity depended on the king's ability to use the religious sanction to delegate authority to rule to an aristocracy without losing control either to elements of that aristocracy, other kings, or an alliance of both.

turbulence its rulers are able to survive (Lipset, 1959).[5] The prevalence of nationalism as an organizing force in the modern era (Meyer, et al., 1997) reduces the probability that emergent institutions introduced by foreign actors will be deemed legitimate and thus increases the resistance that investors operating whose activities are governed by such entities are likely to face.

International coercion and illegitimate adoption processes. At the same time, the organizational form of the nation-state faces increasing challenges to its power and authority by international political and economic actors (Riain, 2000; Guillén, 2001b). Despite evidence that nation-states retain substantial policy autonomy (Garrett, 2000), the scale and scope of international economic, political and social pressures that national governments now face is substantially greater than in previous decades.[6]

The most concrete and successful manifestation of the globalization of national policy environments has occurred among the member states of the European Union (Fligstein and Sweet, 2002; Padgett, 2003; Thatcher, 2004). Even in this extreme instance, however, substantial national resistance to convergence remains.[7] Several authors highlight that even in the presence of common agreement on goals, principles and procedures (Steffek, 2003), the European Union (EU) will never enjoy the authority of national governments because (Hansen and Williams,

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[5] For example, Razi (1987) argues that the fall of the Shah's regime in Iran was directly attributed to a "failure in the area of legitimacy and cannot be satisfactorily explained in terms of performance … or class struggle" (p. 465). By failing to demonstrate independence from the dominant imperial power of the era (the United States), violating Iran's own Constitution and suppressing long-standing religious norms, the Shah eroded the legitimacy of his regime and set the stage for a rapid downfall embraced by almost all segments of the society included those who had benefited under his rule. Bienen (1991) tests this logic on a cross-national sample, showing that the prior duration of a given political regime is the best predictor of its continued survival suggesting that over time a polity develops not only an identification with a national community but also with a given political leadership or regime.

[6] See Guillén (2001a) for a recent interdisciplinary review of the globalization literature.

[7] For example, Busch (2004) chronicles the national heterogeneity in banking regulations that persists even in the face of explicit efforts to craft a single European capital market.

1999; Horeth, 1999; Laffan, 2001) EU citizens lack the common identity, shared myths, beliefs and history that citizens of an individual country share (Cederman, 2001).[8]

A larger body of related qualitative work on cases other than that of the relatively successful European Union similarly emphasizes the importance of national identity and "ideational systems… comprised of values, beliefs and symbols" (Dobbin, 1993: 3) for understanding the differing responses of individual nation-states to similar external stimuli. Studies of the policy responses by France, Great Britain and the United States to the Great Depression (Dobbin, 1993), Central European countries' to pressure for fiscal austerity (Campbell, 1996) and Chile, Great Britain, France and Mexico's to the ascendancy of neoliberal economic policies since the 1970s (Fourcade-Gourinchas and Babb, 2002) all conclude that a given external stimulus interacting with a nation's distinct formal and informal national institutions can generate radically different national policy outcomes.[9] Spicer, McDermott and Kogut (2000) present a related thesis, arguing that the policy goal of efficient reallocation of productive assets within an economy, which may be best accomplished through the financial system in well–developed capitalist systems such as the United States, should occur through gradualist negotiated public-private bargaining in Central European and post-Communist societies.

The insight that a country's ideational systems influence the characteristics of the policies that it adopts implies that a given externally-coerced policy's "fit" with a particular country—

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[8] As a result, the crisis of legitimacy that characterizes EU governance and limits policy convergence is not a short-term problem that can be addressed at the next ministerial conference but rather a long-term and fundamental challenge to the expressed goal in the Treaty of Rome of establishing an "ever closer union."

[9] Guillén (2001b) extends this logic down to the level of organizations within countries and the heterogeneity in practices that managers in Argentina, South Korea and Spain introduced in response to the homogeneous pressure of globalization.

and thus the policy's resistance to change—also depends on such systems. Multilateral lenders have long recognized this latter point: "…the commitment of the Borrower to implementation is… one of the key factors affecting project performance" (Heaver and Israel, 1986:1).[10] Indeed, as early as 1959, Per Jacobsson, the Managing Director of the International Monetary Fund, asserted that "such programs can only succeed if there is the will to succeed in the countries themselves" (James, 1996: 109).[11]

For just as long, however, multilateral lenders and borrowing countries have disagreed on the meaning of and best means to encourage local "ownership" of required reforms (Helleiner, 2000; Boorman, 2001; Boughton, 2003; Khan and Sharma, 2003; Drazen and Isard, 2004; Kikeri and Nellis, 2004), debating whether ownership means that either loan recipients "…drive the process… [including] the planning, the design, the implementation, the monitoring and the evaluation" (Helleiner, 2000: 2) , "do what [lenders] want them to do but… voluntarily" (Helleiner, 2000: 2), or something in between.

To the extent that multilateral lenders are unwilling to abdicate all aspects of program management to the borrower out of fear of the inherent conflict between the incentives of lender and borrower in the disposition of loan money (Mansuri and Rao, 2004), multilateral lending necessarily includes some degree of external coercive pressure. A growing literature on the implementation of multilateral policy prescriptions, funded largely by the multilateral institutions themselves, acknowledges this pressure and uses economic or political analysis to identify mechanisms that might reduce such potential deleterious effects of the incentive conflict—or "agency problem"—on policy performance.

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[10] Quoted in Morrow (1999:1).

[11] Quoted in Boorman (2001)

A much larger set of studies offers a normative critique of existing multilateral conditionality practices, arguing that the very existence of such a conflict undermines the rationale for conditional lending in the first place. In moral terms, writes Buira, conditionality is viewed "at best" as a "form of paternalism, by which a country is guided toward its own good, rather like a parent or a teacher guides a child, in its own best interests, [while] at worst, conditionality implies the imposition on a country of an alien policy agenda that contains elements that are not necessary… and may not be in the country's best interest." (Buira, 2003). Feldstein summarizes the more general moral argument against the practice of conditionality with reference to the International Monetary Fund (IMF), writing that:

> "The fundamental issue is the appropriate role for an international agency and its technical staff in dealing with sovereign countries that come to it for assistance. It is important to remember that the IMF cannot initiate programs but develops a program for a member only when that country seeks help. The country is then the IMF's client or patient, but not its ward. The legitimate political institutions of the country should determine the nation's economic structure and the nature of its institutions. A nation's desperate need for short-term financial help does not give the IMF the moral right to substitute its technical judgments for the outcome of the national political process (1998: 27).

Most recently, Joseph Stiglitz, writing after his experience as a Senior Vice President and later Chief Economist of the World Bank, expresses "a concern that the way changes were effected undermined democratic processes…" (Stiglitz, 1999: 591).

In trying to address the issue of why multilateral lenders would impose policies that undermine lenders' socio-political stability and economic ability to repay their loans, a number of contributions to this literature invoke the notion of identity, just as in the political sociology literature.[12] Simply put, multilateral lenders are not part of the national political system of the lending countries, and exercise their policy influence through a process distinct from the regular national policymaking process. Because the resultant policies are inconsistent with other laws or statutes, they contravene the powerful psychological forces of identity and nationality, and are more vulnerable to resistance efforts (Jasper and Poulsen, 1993).

On this basis, we propose that emergent institutions whose adoption are more heavily influenced by foreign coercive pressures are less likely to be perceived as legitimate, and investors whose activities are governed by these entities are more likely to encounter resistance.

Hypothesis 1: Investors whose activities are governed by an emergent institution whose adoption is associated with foreign coercive pressures are more likely to encounter resistance.

3.2 The Aggravating Role of Crises

The efficacy of the techniques that disaffected interest groups use to influence public opinion, and thus increase the resistance faced by investors whose activities are governed by an emergent institution, are greater during times of economic crisis. Crises provide powerful images that these groups my use as "focusing events" (Kingdon, 1984: 106) to develop (or bolster) an "injustice frame" (Gamson, Fireman, and Rytina, 1982) based on an alleged causal link between the emergent institution's foreign origins and prevailing domestic adverse economic

[12] A somewhat related line of critique explored forcefully by (Babb, 2003; Kogut and Macpherson, 2004b; Kogut and Spicer, 2004) lies in the professional identity of multilateral lenders in the economics and financial sectors. Such professional training and prior experience may pose challenges in accepting the importance of institutional context, the psychological power of identity, and the political force of nationalism and fear.

conditions.[13] Such a frame serves as an effective tool for enhancing the cohesion of the existing coalition and enfranchising secondary groups whose members did not previously regard change in the emergent institution as a salient political issue (Andrews, 1997; Hoffman, 1999; Seo and Creed, 2002).

Other actors may assist organized interest groups in their campaign for change during a crisis. "Political entrepreneurs" including incumbent politicians, opposition politicians and non-governmental organizations (NGOs) may exploit crisis events in order to boost their own popular support (Jones, 1978; Schneider and Teske, 1992; Cox and McCubbins, 1993), especially during elections or other periods of political contention. McFarland's cyclical theory of interest group politics (1991) as well as the broader macroeconomic literature on political business cycles, which emphasizes how political actors may opportunistically manipulate policy levers under their control for the purpose of electoral gain (Nordhaus, 1975; Rogoff and Sibert, 1988; Alesina, 1989), are both illustrative. Media organizations with their own political agenda may play a role as well, especially in enfranchising diffuse, previously unorganized groups (Weingast, 1981; Levy and Spiller, 1994). Moreover, economic actors that control resources whose value is reduced by the crisis or the policies promoted by multilateral lenders (North, 1990; Landes, 1998), or who are otherwise adapted to prior circumstances (Ingram, 1998), may also join the

[13] An injustice frame uses the contrast between the conditions of one entity (e.g., foreign investors) and another (e.g., local consumers) to reinforce citizens' preexisting notions that the party doing relatively well attained its status unfairly or illegitimately. Three injustice frames are particularly relevant for opponents of market-oriented reforms whose adopted is heavily influenced by multilateral actors: (1) the contrast between the losses incurred by domestic "victims" and the relative well-being of foreign investors insulated by the emergent regulative institution (Gamson, Fireman, and Rytina, 1982); and (2) the relative lack of initial public debate about the design of the emergent institution (Mlcoch, 1998; Kogut and Spicer, 2002); and (3) the accusation that the policymakers in the country adopting the market-oriented reform were violating an implicit guarantee of protecting the welfare of its population particularly the poor consumers whose prices were frequently substantially increased in an attempt to remove economically inefficient cross-subsidization (Krieger, 1963; Berkowitz and McQuaid, 1978; Skocpol and Amenta, 1986; Quadagno, 1987).

coalition of resistance. Even members of the original coalition supporting the adoption of the emergent institution are more likely to defer or compromise if the cost of delayed resolution is high and change in the emergent institution—including its elimination—appears to be an expedient solution (Nelson, 1990; Alesina and Drazen, 1991; Fernandez and Rodrik, 1991; Drazen and Grilli, 1993; Williamson, 1993).

Crisis conditions thus improve the ability of organized interest groups seeking change in an externally-coerced emergent institution to obtain such change. Indeed, the conditions that a crisis creates may play the pivotal role in determining whether such a group is able to secure major (or punctuated) change rather than incremental (or creeping) change, which is typically more common in the policymaking arena (Astley, 1985; Romanelli and Tushman, 1994; Jones, Baumgartner, and True, 1998).

Hypothesis 2: Investors whose activities are governed by an emergent institution whose adoption is associated with foreign coercive pressures are particularly likely to encounter resistance in times of financial or macroeconomic crisis.

3.3 The Moderating Role of Vintage

Although investors whose activities are governed by emergent institutions adopted in response to external coercive pressures are more likely to face resistance during a crisis, the timing of such a disruptive event is uncertain. Regardless of the other attributes that influence an investor's expected level of resistance, the very persistence of an emergent institution reduces resistance as the entity necessarily becomes "retrojected into consciousness in the course of [actors'] socialization" (Berger and Luckman, 1967: 60-61)" through the long-term process of institutionalization.

Hypothesis 3: Investors whose activities are governed by an emergent institution whose adoption is associated with foreign coercive pressures are less likely to encounter resistance as the vintage of that institution increases.

3.4 The Moderating Role of Established Political Institutions

In countries whose formal upper-level political institutions include multiple checks and balances, interest groups seeking a wholesale or investor-specific policy revision or reversal must secure the agreement of multiple policymakers representing non-overlapping interests. Policymakers choose issues to address based not only on the political benefits that they expect to enjoy from "solving" an issue through policymaking, but also the "cost" that they must incur in terms of the time and effort that such policymaking requires. This cost depends largely on the configuration of the formal country-level political institutions—most prominently the internal structures of and relationships among the legislature, the executive branch, the judiciary and regulatory agencies—that govern the policymaking process (Amenta, Carruthers, and Zylan, 1992; Moe and Caldwell, 1994; McAdam, McCarthy, and Zald, 1996; Andrews, 2001). Configurations that increase costs impede change, effectively mitigating interest group pressures for change (Tiller and Spiller, 1999; Tsebelis, 2003), while structures that reduce costs facilitate change, effectively increasing the potency of such pressures (Witt and Lewin, 2004).

Analysis of the effects of country-level institutional configurations on the incidence of policy change derives from the regulative pillar of neoinstitutional theory, including contributions from economic history (North and Weingast, 1989; North, 1990); formal political economy models (Dixit, 1996; Laffont, 1999); and qualitative evidence from recent policy shifts in infrastructure sectors (Spiller, 1993; Levy and Spiller, 1994) and elsewhere (Weingast and Moran, 1983; McNollGast, 1987; Gilligan, Marshall, and Weingast, 1989; Gely and Spiller, 1990). Such institutions are usefully characterized in terms of checks and balances, including both *de jure* characteristics such as constitutional separation of powers as well as *de facto* characteristics such as the extent of partisan heterogeneity within and across branches of government. Institutional configurations with stronger checks and balances require agreement across a broader range of political actors to affect a shift in policy for a given level of societal pressure, increasing the effort required of any given political actor to change an emergent institution. In contrast, configurations that concentrate political power in the hands of a single actor facilitate change. Empirical evidence demonstrates the effects of institutional veto points on policy stability (Hallerberg and Basinger, 1998; Franzese Jr., 1999; Persson and Tabellini, 1999; Treisman, 2000; Henisz, 2004).

Hypothesis 4: Investors whose activities are governed by an emergent institution whose adoption is associated with foreign coercive pressures are less likely to encounter resistance as the strength of the effective checks and balances in the policymaking process increases.

3.5 Investor Experience

The conditions discussed above—the extent to which an emergent institution's adoption has been influenced by foreign actors, the emergent institution's vintage, the occurrence of a crisis and the strength of checks and balances—are all reform- and country-level attributes that influence the amount of resistance an investor is likely to encounter. However, investors vary in their susceptibility to such resistance.

All organizations confronted with the risk or reality of adverse change in an emergent institution face strong pressures to maintain legitimacy by acquiescing to such change (Oliver, 1991:160-161). Because the enforcement mechanism for emergent institutions is the coercive power of the state (Scott, 2001: 52), the penalties for noncompliance are both tangible and severe (Oliver, 1991:168). At the same time, the imposition of a new or modified institution intended to meet broader distributional demands significantly restricts an organization's discretion in key decisions such as "resource allocation, product or service selection, resource acquisition or organizational administration (i.e., hiring, compensation, promotion)" (Oliver, 1991: 166), and more generally chafes against the "technical activities and efficiency demands" (Seo and Creed, 2002:226) that support profitability. The prospect of substantial economic loss from conformity to the external mandates of the state thus creates strong internal pressures for organizations to resist change in emergent institutions.

An organization's information-based resources and capabilities affect its susceptibility to resistance (Boddewyn and Brewer, 1994). Given the difficulty of assessing complex, evolving socio-political conditions, managers that can look to their own past experience for an analogue to guide their current search for an organizational response or for accumulated learning (Baum and Ingram, 1998; Baum, Li, and Usher, 2000) are better equipped to make sound decisions under conditions of uncertainty. For example, Henisz and Delios (2001) find that prior experience in a specific country reduces the deterrent effect of cultural or market differences on a firm's decision to invest in the country. Lyles and Steensma argue that as a result of the wide diversity of emergent institutions governing infrastructure projects, investors' management of their relationship with the government is an important organizational capability and key "factor of success" in such projects (Lyles and Steensma, 1996: 70).

Hypothesis 5: The resistance encountered by a given investor declines in the experience of that investor in the national environment.

4 Methods

4.1 Data

In order to test our hypotheses, we examine the investment history of 1,001 private electricity projects in 75 countries during the period 1989 – 2001. These projects constitute the population of global private investment in electricity generation over this time period, as compiled by the Hagler-Bailly consultancy. In a small subset of countries (e.g., Germany, the United Kingdom and the United States), a substantial number of private investment projects predate our sampling period and are omitted from our analysis.

We augment the Hagler-Bailly dataset's information gathered from international, industry and local news reports available through various online databases. A large team of research assistants compiled this information and used it to code several of the variables described below. Validation of the coding of the dependent variable by the authors and a PhD student indicated a reliability of greater than 0.98.

4.2 Unit of Analysis

Our hypotheses implicate independent variables at the country level (H2 and H4), the reform level (H1 and H3), and the investor level (H5). We address these multiple levels of analysis with a panel data set whose cross-sectional unit is an investment in a electricity generation facility by (a coalition of) investors, which is the most disaggregated of the three levels. Our unit of analysis is thus the investor coalition-country-year.

4.3 Dependent Variables

As noted in the Introduction, resistance may manifest either at the level of the investor or across the board. Our primary dependent variable is a dichotomous measure equal to one if, in a given investing coalition-country-year, there occurs either the former type of event, which we refer to as a dispute and may be initiated by the investor in response to adverse government action or in action, or the latter, which we refer to as wholesale policy change.

Our coding of events is conservative because our measures capture only those policy changes and disputes severe enough to warrant press coverage. This biases our coefficient estimator downward, reducing the probability of finding a statistically significant relationship. In our sensitivity analyses, we also examine the robustness of our results to the disaggregation of the dependent variable into its constituent components.

4.4 Independent Variables

Degree of coercion. We measure the degree to which a reform has been "coerced" by the World Bank, IMF or other multilateral lenders using results from Henisz, Zelner and Guillén (2004), who model the effect of multilateral lending on a country's adoption of market-oriented reforms in electricity generation, taking into account the country's propensity to borrow from multilateral institutions, the adoption decisions of other countries (weighted by their trade with the focal country), and a series of relevant domestic political and economic factors. When all other variables are held constant at their mean level in 1997, a one standard deviation increase in multilateral exposure (net borrowing from multilateral lenders as a percentage of GDP) is predicted to generate an 81 percent increase in the probability of a change in market-oriented reforms. In the current analysis, we measure the extent to which the emergent institutions governing private investment in a country's electricity sector are coerced by multilateral lenders as the difference between the probability that a country would adopt a reform in the year in which its reform program began as predicted by (1) a model that omits the role of multilateral lenders and (2) a model that includes the role of multilateral lenders. Table 1 lists the countries and the extent to which they were more or less likely to adopt reforms in the fully specified model of Henisz, Zelner and Guillén (2004) that includes the role of multilateral lenders.

Crises. We combine the coding schemes of (Frankel and Rose, 1996; Detragiache and Spillimbergo, 2001; Hamann and Prati, 2002; Beers, 2003; Kaminsky, 2003), who collectively identify 10 different types of crisis including currency crises, banking crises, stabilization episodes and various forms of default, to construct a dichotomous measure of the existence of a financial or macroeconomic crisis in a given country in a given year. Table 2 provides a listing of the country-years in which a crisis has occurred according to the most inclusive definition.

Vintage. We create a variable measuring reform vintage that is initially zero for each country and increases by one for each additional year following the initiation of electricity sector reforms. The initial year of reform is that in which (1) the regulator becomes independent from the ministry, or (2) the regulator becomes independent from the state-owned electricity generating company, or (3) entry by new private generators for resale to final customers is permitted. Table 3 provides a list of the initial reform year for the countries in our sample.

Checks and balances in established political institutions. Our measure of checks and balances is the "Political Constraints Index", (*POLCON*) developed by Henisz (2000). [14] The first step in constructing this measure is the identification of the number of independent branches of government (executive, lower and upper legislative chambers, judiciary and sub-federal institutions) with veto power over policy change in each country. Countries lacking any formal veto points are assigned a score of "0." For all other countries, the majority preference of each of these branches and the *status quo* policy are then assumed to be independently and identically

[14] Data and codebook are available from http://www-management.wharton.upenn.edu/henisz/POLCON/ContactInfo.html

drawn from a uniform, one-dimensional policy space [0,1]. This assumption allows for the derivation of a quantitative measure of institutional constraints using a simple spatial model of political interaction.

This initial measure is then modified to take into account the extent of alignment across branches of government using data on the party composition of the executive and legislative branches. Alignment across branches increases the feasibility of policy change, thereby reducing the level of political constraints. The measure is then further modified to capture the extent of preference heterogeneity within each legislative branch. Greater within-branch heterogeneity increases (decreases) the costs of overturning policy for aligned (opposed) branches. Possible scores for the final measure of political constraints range from zero (least constrained) to one (most constrained).

Countries with the greatest level of veto points in the formal policymaking apparatus are those federal states with strong independent judiciaries and either presidential systems or proportional representation electoral rules that tend to yield coalition governments, such as the United States, Germany and Switzerland. Political constraints decrease as the number of veto players declines or as their preferences become more homogeneous, as is the case in moving to a mixed Parliamentary-Presidential system, typified by France or Brazil; to heavily fractionalized Parliamentary systems like those of Belgium, Israel and the Netherlands; to Westminster Parliamentary systems with winner-take-all districts, such as the United Kingdom's. Non-democratic countries and those with transitional political regimes have the lowest levels of political constraints because the formal institutional structures in these states provide tremendous discretion to policymakers. Table 4 provides the average observed value of political constraints for each country in our sample.

Experience of Investing Coalition. We construct an investor experience measure by (1) calculating for each individual investor[15] the cumulative number of years that it has been involved in each of its projects for each period, (2) summing each investor's cumulative experience across all projects in a given country for each period, (3) multiplying the resulting figure for each investor by its equity stake in a given project, and (4) summing the resulting figure for all investors in a given investor coalition. Our investor experience variable is thus an equity-weighted measure of the country-specific experience of each investing coalition.

Other Independent Variables. We also include the *per capita* income of the country to measure a country's level of economic development. We expect that, independent of our arguments about legitimacy, the material interests of consumers and private investors in poorer countries are more divergent, leading to a greater incidence of policy changes and disputes. We also include a variable measuring the size of a generating facility (in megawatts) to capture its visibility or political salience. Both of these variables are logarithmically transformed to take into account their extreme skewness. Table 5 provides descriptive statistics and a correlation matrix.

4.5 Modeling Procedure

We estimate the effects of independent variables on the occurrence of a dispute or wholesale policy change using an event history analysis, a technique that assesses the influence of a set of covariates on the incidence of an event using a longitudinal record of events in a sample from a population. In our model, each investor coalition is at risk of an adverse event in each country in which it has a stake in a power plant in each time period or until an adverse event occurs. This technique models the rate of a transition from an origin state to a destination state

[15] Investor names were carefully screened to eliminate multiple names for the same firm as well as to take into account mergers, acquisitions and divestitures. In the latter cases, organizational memory, ties and influence were presumed to survive a change in ownership.

(adverse event) as a function of the covariates. Our primary specification employs a Weibull model:

$$h(t) = \rho\lambda t^{\rho-1}, \lambda = e^{X_{jt}\beta}$$

where *h(t)* is the hazard function for a reform to transition from non-adoption to adoption at time t, with the observed covariate row vectors X_{jt} and parameters to be estimated ρ and β (Blossfeld and Rohwer, 1995). To take into account the existence of multiple observations (investor coalitions) per country, we cluster the standard errors by country.[16]

To address problems of multicollinearity and facilitate the interpretation of the results, we mean-centered the constituent variables in our two-way interaction terms. Preliminary data analysis uncovered substantial nonlinearities in multiple independent variables across the subsamples of crisis and non-crisis years.

Because our model already includes multiple two-way interaction terms (*multilateral influence X crisis*, *multilateral influence X political constraints*, and *multilateral influence X clock*), we chose to present the results for the full sample as well as results for the crisis- and crisis subsamples rather than grapple with the additional complexity of three-way interaction terms.

5 Results

5.1 Foreign Coercion and Mediating Variables

Table 6 displays our results in the full sample (column 1) and the subsamples of crisis (column 2) and non-crisis years (column 3). In all specifications, investors are less likely to

[16] Our results are also robust to clustering the standard errors by country-year as well as implementing a shared frailty model allowing for unobserved heterogeneity at the country level.

encounter resistance in countries with higher levels of *per capita* income and for investments of smaller size.

In the full sample, we find no baseline support for a positive association between the extent to which the adoption of a reform program was influenced by multilateral lenders and subsequent resistance (Hypothesis 1). However, we do find a strong positive association between multilateral influence on reform adoption and the likelihood of resistance in crisis years (the coefficient estimate on the interaction between multilateral influence on reform adoption and crisis in column 1 and the coefficient estimate on multilateral influence on reform adoption in column 2 are both positive and significant). These results suggest that multilateral influence does reduce legitimacy, and thus increase the likelihood that investors will encounter resistance, during periods of economic distress, when actors in society are more likely to reevaluate emergent institutions (Hypothesis 2).

The economic significance of these results is noteworthy. When all other variables are held constant at their mean level, investors in countries for which the predicted influence of multilateral lending is one standard deviation above the mean (e.g., Ecuador and the Dominican Republic) and that encountered a financial or macroeconomic crisis exhibit a probability of resistance 23 times higher than that for countries in which multilateral lending has no predicted influence on reform adoption and there is no macroeconomic or financial crisis. Neither the occurrence of a crisis nor a high level of multilateral influence is sufficient to generate a predicted increase in resistance in the absence of the other variable.

The presence of a crisis also strongly affects the remaining negative moderating relationships (vintage and political constraints) as well as the negative effect of investor coalition experience. In crisis years, the vintage of market-oriented reforms more greatly mitigates the negative relationship between multilateral influence and resistance encountered by investors, suggesting that investors in countries with greater multilateral influence on the adoption of reforms are less likely to encounter resistance if they enter that country some time after the adoption of emergent regulative institutions (Hypothesis 3). Investors who entered a country in the year of the adoption of the emergent institutions had a predicted level of resistance 77 percent higher than the baseline hazard in crisis years whereas investors who waited for five years after the adoption of the emergent institutions experienced a 36 percent decrease in the predicted hazard of resistance. As for non-crisis years, we find a puzzling positive (albeit small in economic magnitude) relationship between the vintage of emergent institutions in non-crisis years and the probability of resistance faced by investors.

Turning to the effect of political constraints, we find that investors in countries with more developed checks and balances in their established political institutions have a far lower predicted level of resistance to reforms whose adoption was more strongly influenced by multilateral lending (Hypothesis 4), and that the magnitude of this effect is substantially stronger in crisis years than in non-crisis years. Investors that entered countries with political constraints one standard deviation below the mean level (e.g., Mali, Pakistan and Tunisia) had a predicted hazard of resistance over sixteen times the baseline level in crisis years (320 percent higher in non-crisis years), whereas investors that entered countries with political constraints one standard deviation above the mean level (e.g., Australia, Belgium and Germany) experienced a 94 percent decrease in the predicted hazard of resistance (68 percent in non-crisis years).

Finally, consistent with Hypothesis 5, we find that investor coalitions with more host country experience are less likely to encounter resistance and that this relationship is also much stronger in crisis than non-crisis years. Investing coalitions with one standard deviation below the mean level of experience had a predicted hazard of resistance 302 percent higher than the baseline in crisis years whereas investors with one standard deviation above the mean level enjoyed a 79 percent reduction in predicted hazards. Hazard rate multipliers for these and other combinations of the independent variables of theoretical interest are displayed in Table 7. We also provide plots of the effects of varying individual independent variables of theoretical interest on the predicted annual hazard rate while holding all other variables constant at their mean levels for countries experiencing a crisis in Figures 1 - 4.

As a check on our results, we examine the investment projects with the highest predicted probability of resistance in the 1999 – 2001 period that had not yet experienced unilateral policy changes or bilateral disputes by 2001, the final year of our sample period. Table 8 displays the ten such cases with the highest predicted probability of resistance, along with a brief synopsis of their experiences in 2002 – 04. The baseline probability of resistance in our model is 12.4 percent, and of the ten cases, five exhibited a dispute or wholesale policy change, while another three experienced some informal resistance or delay.

5.2 Sensitivity Tests

In order to demonstrate the robustness of our results, we conduct several sensitivity tests. First, we disaggregate our dependent variable into its constituent components (unilateral government policy changes adverse to investor interests and bilateral disputes between the investor and the government). Table 9 depicts these results, which are similar but not identical for the two types of events. For example, in the absence of a crisis, foreign coercion has larger effect on the probability of a dispute than it does on that of a unilateral policy changes, whereas a crisis has a greater aggravating impact on policy changes that it does on disputes. Vintage plays a greater moderating role on policy changes and the experience of the investing coalition is only weakly effective in reducing the probability of a dispute. An increase in *per capita* income level reduce the probability of a dispute but not that of a policy change, and political constraints increase the probability of disputes in countries that initiate a reform program in the absence of foreign coercion. Despite these differences across the two types of events, we still see a positive impact of foreign coercion in the presence of a crisis (Hypothesis 2), a moderating role for political constraints (Hypothesis 4) and a benefit of experience (Hypothesis 5) in both sets of regression results.

Next, we rotate in additional independent variables that might plausibly be related to resistance, but whose inclusion in our primary specification significantly reduces the sample size. These include the incidence of change in the political regime of a country, the incidence of change in the political leadership of a country, the extent of a country's democratization, the government's share of national output in a country, the country's openness (measured using either the dichotomous Sachs & Warner (1995) or Wacziarg & Welch (2003) indices), the performance of the electricity sector (measured either in terms of output generated or output generated and delivered to final customers) and the change in that performance since the adoption of the emergent institutions. None of these variables is statistically significant, nor does its inclusion alter the support for our hypotheses (results available from the authors upon request).

Finally, we test the sensitivity of your results to our choice of the Weibull functional form by estimating the model using exponential, Gompertz, and Cox proportional hazard models. Once again, none of these changes has any substantive effect on our core results (results available from the authors upon request).

6 Discussion

6.1 Foreign Coercion and the Sustainability of Emergent Institutions

The empirical phenomenon that we investigate is adoption of emergent regulative structures to govern electricity generation in response to the coercive influence of multilateral lenders. We argue and find evidence that such coercion is likely to generate domestic resistance, particularly in countries with volatile economic environments and established political institutions lacking checks and balances.

Our results also speak to a larger class of phenomena. As the constraint of geography weakens due to globalization and technological change, political and economic organizations face increasing pressures from external political and economic actors. Multilateral organizations pressure countries to adopt reforms, just as competition from afar or demands from a distant headquarters pressures local companies to adopt reforms. The impetus for institutional or organizational change is thus increasingly distant in terms of identity. Under such conditions, coercive influences seeking institutional change, long assumed to possess both power and legitimacy, are increasingly likely to lack the latter characteristic.

Will the sanction of a given policy instrument or institutional characteristic by the European Union lead to adoption by member states? What effect will the adoption of a given organizational practice by an American firm have on its Japanese or Chinese competitors? What about the impact of a given organizational practice's adoption by an American multinational's headquarters on the company's Bolivian subsidiary? Our results suggest that in instances in which a powerful external actor promotes institutional or organizational change by distant actors, resistance to the emergent institution will be a function of (1) local environmental conditions that help opponents focus attention on the illegitimacy of the emergent institution (e.g., poor economic results in the focal organization that facilitate the scapegoating of the external actor);

(2) local decision-making structures that restrict the discretion of local decision-makers (e.g., lower functional independence of a local subsidiary from its regional or corporate headquarters); (3) vintage, which facilitates institutionalization of the new practice; and (4) characteristics of the interest parties that enhance their ability to mobilize or diffuse resistance (e.g., the national identity of a local executive or the sophistication of a local lobbyist).

6.2 Multilateral Lending and the Backlash Against Globalization

This research also contributes to the scholarly and policy literatures on multilateral conditionality, particularly as these literatures relate to the backlash against globalization observed in a growing number of developing countries. Prior literature within political sociology and comparative political science has examined the resistance to multilateral reforms. The key findings from this literature emphasize the role of urbanization and other local environmental factors in facilitating the organization of resistance (Walton and Ragin, 1990) , as well as the role of political structures that restrict discretionary policy change (MacIntyre, 2001). These studies do not exploit variation in the extent of foreign coercion across countries, the subsequent evolution of environmental conditions or the characteristics of key actors within these countries. In contrast, the policy literature on means to enhance the domestic ownership of multilateral reforms emphasizes mechanisms that reduce the illegitimacy of multilateral influence on a reform, but pays less attention to the extent to which environmental, political and organizational characteristics of the lending countries interact with these mechanisms. Our results suggest a need to combine the two perspectives.

Especially in countries prone to economic or financial crises and lacking checks and balances in established political institutions, we find that emergent institutions whose adoption is heavily influenced by multilateral actors are almost certain to face resistance. Efforts to enhance local ownership in these contexts, most likely by increasing access by the poor, are necessary. While some internal policy studies emphasize the need for a shift in this direction, other authors continue to cling to the notion that redistributive deviations from economic efficiency are unnecessary or counterproductive. Our results suggest that that such efforts to enhance ownership, although potentially costly in the short term, may be necessary for the emergent institutions to stand the test of time. In the absence of such efforts, the political resistance that the current solutions are generating, despite higher economic efficiency, could lead to their dismantling (e.g., the recent renationalization of parts of the Argentine electricity system). Resistance could also lead national governments to rally against foreign coercion in general, thus undermining multilateral institutions' ability to secure future institutional change. While multilateral actors may have as their goal the implementation of economically efficient policies, the enacting and maintenance of these policies is a political act that requires careful attention not just to the political incentives of fully rational economic actors, but to the complex interplay of cognitive frames, interest group lobbying, formal political structures at the national level, and international relations.

6.3 Limitations and Future Research

Although we believe that our analysis makes an important contribution, we also acknowledge several shortcomings. First, it does not identify the mechanisms that opposed interest groups use to rally sympathetic but inactive peers to their cause. Additionally, while our results are consistent with the hypotheses that financial or macroeconomic crises enhance the efficacy of such groups, the foreign identity of multilateral actors further facilitates these efforts, checks and balances in established political institutions moderate these pressures, and investor coalitions with substantial host country experience are able to insulate themselves from adverse policy outcomes or potential disputes, future research using comparative cases (e.g., Elsbach (1994)) or content analysis of media reports should seek to more closely identify the underlying processes at work. Only such micro-level studies can provide concrete operational guidance to political and economic actors seeking to enhance the survival of emergent institutions, or to their opponents seeking to resist the institutionalization of such changes.

Our results also do not speak directly to the underlying desirability of the adoption and institutionalization of emergent institutions supported by multilateral lenders. Particularly in the context of the normative debate surrounding multilateral conditionality, this is an important issue. Existing research already demonstrates the efficacy of the deregulation, privatization and liberalization of infrastructure services in general (Ros, 1999; Boylaud and Nicoletti, 2000; Fink, Mattoo, and Rathindran, 2002; Wallsten, 2002; Jamasb, et al., 2004). However, it is possible that this empirical result is an artifact of a selection problem. Early adopters may possess the requisite institutional structures that support market-oriented reforms, undertake such reforms independent of multilateral influence and subsequently enjoy welfare gains, while later adopters may lack supporting institutional structures, undertake reforms in response to multilateral influence and subsequently suffer welfare losses. The results obtained by analyzing efficiency among early adopters would thus lead to incorrect inferences about the potential gains to remaining countries due to the self-selection of countries with supporting institutional structures into the adopting sample. Further, even after data are amassed on countries that adopt reforms in response to multilateral influence, results obtained by pooling these two groups without distinguishing between them would reflect “mean” results, possibly suggesting the efficacy of market-oriented reforms and supporting further multilateral coercion if the former group dominates the pooled sample. Future research should thus compare sector-specific economic outcomes (e.g., increases in electricity output, decreases in line losses or reductions in concentration of ownership) in countries that adopted deregulation, privatization and liberalization indigenously versus as a component of a multilateral lending program.

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Table 1: Extent of Multilateral Influence on Reform Adoption

Country	Extent of Multilateral Inducement (see text)
Nicaragua	6.09
Bolivia	2.71
Zimbabwe	2.67
Romania	2.03
Argentina	1.94
Chile	1.16
Ecuador	1.00
Dominican Republic	0.82
Sri Lanka	0.25
Jamaica	0.08
Tunisia	0.03
Thailand	-0.06
Poland	-0.27
Morocco	-0.32
Malaysia	-0.33
Bangladesh	-0.34
Ghana	-0.39
Kenya	-0.42
Korea, Rep.	-0.49
Pakistan	-0.65
Turkey	-0.71
Colombia	-0.73
Philippines	-0.95
Costa Rica	-1.28
Hungary	-1.54
Panama	-3.42
India	-5.34
Brazil	-5.74
Mexico	-9.63

Note: Countries not included above have value of zero.

Table 2: Country-Years of Financial or Macroeconomic Crisis

Country	Years	Country	Years
ANTIGUA	1996-01	JAPAN	1991-01
ARGENTINA	1992-93, 1995, 2001	KENYA	1996-01
AUSTRALIA	1992	KOREA	1997-01
BOLIVIA	1994-01	MALAYSIA	1997-01
BRAZIL	1989-99	MEXICO	1994-97
CHILE	1990	NICARAGUA	1996-01
CHINA	1990-99	NORWAY	1990-93, 1998-00
COLOMBIA	1995, 1997-99	PAKISTAN	1998-99
CZECH REPUBLIC	1995-01	PERU	1995-97
DENMARK	1990-93	PHILIPPINES	1990-92, 1997-01
DOMINICAN REPUBLIC	1990-01	POLAND	1997-99
ECUADOR	1993-01	ROMANIA	1999-01
EL SALVADOR	1995-96	SPAIN	1992-93
FINLAND	1992-94	SRI LANKA	1996
FRANCE	1994-95	SWEDEN	1991-92
GHANA	1997-01	TAIWAN	1995, 1997-98
GUATEMALA	1992-99	TANZANIA	1995-01
GUYANA	1998-99	THAILAND	1997-01
HONDURAS	1993-01	TURKEY	1994, 2000-01
HONG KONG	1998	UK	1990-99
HUNGARY	1995	UKRAINE	1997-00
INDIA	1991, 1993-01	VENEZUELA	1994-98
INDONESIA	1994, 1997-01	VIETNAM	1996-01
ITALY	1990-95	ZIMBABWE	1996-01
JAMAICA	1994-00		

Table 3: Year of Initial Electricity Reform

Country	Year	Country	Year
Antigua and Barbuda	1975	Japan	1999
Argentina	1991	Kazakhstan	1996
Australia	1996	Kenya	1997
Austria	1999	Korea, Rep.	1966
Bahamas, The	1999	Lao PDR	1998
Bangladesh	1966	Luxembourg	1999
Barbados	1982	Malaysia	1992
Belgium	1999	Mali	1982
Belize	1992	Mexico	1995
Bolivia	1994	Morocco	1972
Brazil	1995	Nepal	1973
Chile	1978	Netherlands	1998
China	1987	New Zealand	1986
Colombia	1992	Nicaragua	1994
Costa Rica	1993	Norway	1991
Cote d'Ivoire	1997	Oman	1967
Croatia	1999	Pakistan	1997
Czech Republic	1992	Panama	1997
Denmark	1961	Peru	1992
Dominica	1997	Philippines	1987
Dominican Republic	1999	Poland	1997
Ecuador	1997	Portugal	1997
El Salvador	1995	Romania	1998
Fiji	1999	Saudi Arabia	1999
Finland	1995	Senegal	1983
France	1999	Singapore	1995
Germany	1999	Spain	1988
Ghana	1997	Sri Lanka	1977
Guatemala	1996	Sweden	1966
Guyana	1969	Tanzania	1999
Honduras	1991	Thailand	1995
Hong Kong, China	1999	Trinidad and Tobago	1994
Hungary	1994	Tunisia	1963
India	1998	Turkey	1997
Indonesia	1999	Ukraine	1980
Ireland	1993	United Arab Emirates	1998
Israel	1996	United Kingdom	1990
Italy	1996	Vietnam	1963
Jamaica	1994	Zimbabwe	1996

Table 4: Average Political Constraints (POLCON) Score by Country

Country	POLCON	Country	POLCON
Argentina	0.74	Laos	0.00
Australia	0.86	Luxembourg	0.77
Austria	0.73	Malaysia	0.75
Bangladesh	0.39	Mali	0.24
Belgium	0.89	Mexico	0.37
Bolivia	0.58	Morocco	0.41
Brazil	0.69	Myanmar (Burma)	0.00
Cambodia	0.00	Nepal	0.41
Chile	0.77	Netherlands	0.73
China	0.00	New Zealand	0.75
Colombia	0.40	Nicaragua	0.75
Costa Rica	0.74	Norway	0.77
Croatia	0.42	Oman	0.00
Czech Republic	0.74	Pakistan	0.32
Denmark	0.77	Panama	0.50
Dominican Rep	0.70	Peru	0.43
Ecuador	0.73	Philippines	0.71
Egypt	0.00	Poland	0.72
El Salvador	0.43	Portugal	0.74
Fiji	0.67	Romania	0.73
Finland	0.77	Saudi Arabia	0.00
France	0.73	Senegal	0.44
Germany	0.84	Singapore	0.51
Ghana	0.05	Spain	0.74
Guatemala	0.36	Sri Lanka	0.49
Guyana	0.73	Sweden	0.76
Honduras	0.31	Taiwan	0.73
Hungary	0.76	Tanzania	0.46
India	0.73	Thailand	0.76
Indonesia	0.15	Trinidad	0.86
Ireland	0.75	Tunisia	0.32
Israel	0.78	Turkey	0.76
Italy	0.77	UAE	0.00
Ivory Coast	0.07	Ukraine	0.55
Jamaica	0.18	United Kingdom	0.73
Japan	0.76	Venezuela	0.44
Kazakhstan	0.00	Vietnam	0.00
Kenya	0.60	Zimbabwe	0.51
Korea, South	0.71		

Table 5: Descriptive Statistics and Correlation Matrix

		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Descriptive Statistics														
N		6452	6452	6452	6452	6452	6452	6414	6335	6452	6452	6414	6362	6366
Mean		0.124	0.082	0.065	-0.396	-0.090	0.572	-0.042	8.516	0.516	3.241	0.576	8.827	4.893
Std. Dev.		0.330	0.275	0.247	1.399	1.193	4.427	0.246	10.744	0.500	5.500	0.293	0.901	1.410
Minimum		0.000	0.000	0.000	-9.000	-8.603	-7.937	-0.756	0.000	0.000	0.000	0.000	6.087	2.303
Maximum		1.000	1.000	1.000	6.000	6.396	27.884	1.858	77.000	1.000	38.000	0.890	10.791	8.510
Correlation Matrix														
Dependent Variable: Policy Change or Dispute	(1)													
Dependent Variable: Policy Change	(2)	0.811												
Dependent Variable: Dispute	(3)	0.691	0.282											
Multilateral Influence on Reform Adoption	(4)	-0.039	-0.052	0.018										
Multilateral Influence X Crisis (mean-centered)	(5)	-0.001	0.001	0.011	0.853									
Multilateral Influence X Vintage (mean-centered)	(6)	-0.034	-0.040	-0.022	-0.309	-0.412								
Multilateral Influence X Political Constraints (mean-centered)	(7)	-0.104	-0.130	-0.051	0.272	0.447	-0.194							
Equity-Weighted Host Country Experience of Investor Coalition	(8)	-0.038	-0.064	-0.001	0.122	0.062	-0.080	0.114						
Crisis	(9)	0.116	0.109	0.037	-0.125	-0.075	0.030	-0.190	-0.170					
Vintage of Emergent Institutions	(10)	-0.114	-0.126	-0.058	0.080	0.060	0.521	0.043	-0.100	0.079				
Political Constraints	(11)	-0.019	-0.047	-0.044	-0.104	-0.132	0.043	0.320	0.127	0.066	-0.081			
Per Capita Gross National Income (logged)	(12)	-0.187	-0.184	-0.151	0.127	0.086	-0.060	0.039	0.320	-0.332	-0.010	0.530		
Megawatts (logged)	(13)	0.197	0.176	0.119	-0.040	-0.039	0.026	-0.037	0.017	0.013	0.016	-0.084	0.026	

Table 6: Econometric Analysis of the Incidence of Policy Changes and Disputes

	(1)	(2)	(3)
Multilateral Influence on Reform Adoption (H1 > 0)	0.084	0.544	-0.251
	0.847	*0.027*	*0.158*
Multilateral Influence X Crisis (H2 > 0)	0.555		
	0.002		
Multilateral Influence X Vintage (H3 < 0)	-0.068	-0.183	0.078
	0.421	*0.000*	*0.008*
Multilateral Influence X Political Constraints (H4 < 0)	-5.799	-6.835	-2.832
	0.022	*0.001*	*0.000*
Equity-Weighted Host Country Experience of Investor Coalition (H5 < 0)	-0.099	-0.147	-0.049
	0.028	*0.021*	*0.134*
Crisis	0.195		
	0.596		
Vintage of Emergent Institutions	0.002	-0.046	-0.010
	0.959	*0.536*	*0.796*
Political Constraints	2.900	2.634	1.808
	0.069	*0.092*	*0.082*
Per Capita Gross National Income (logged)	-0.698	-0.556	-0.873
	0.003	*0.074*	*0.009*
Megawatts (logged)	0.554	0.560	0.598
	0.000	*0.000*	*0.000*
Constant	*-2.651*	-3.233	-1.044
	0.185	*0.182*	*0.673*
ρ (logged)	0.367	0.410	0.378
	0.000	*0.000*	*0.000*
Sample	all	crisis	non-crisis
Number of Observations	5551	2827	2724
Number of Plants	1001	749	734
Number of Events (dependent variable=1)	187	125	62
Log Likelihood	-538.08	-331.56	-183.62

Table 7: Hazard Rate Multipliers for High Multilateral-Influence on Reforms at Various Levels of Political Constraints, Crisis, Vintage and Investor Experience

Investor Coalition with Low Experience in Host Country

Crisis Year		Political Constraints		
		Mean - 1SD	**Mean**	**Mean + 1SD**
	Mean - 1SD	88885.5	5382.2	325.9
vintage	**Mean**	50072.3	3032.0	183.6
	Mean + 1SD	31912.5	1932.4	117.0

Non-crisis Year		Political Constraints		
		low	**Mean**	**high**
	Mean - 1SD	2.5	0.8	0.2
vintage	**Mean**	3.2	1.0	0.3
	Mean + 1SD	3.9	1.2	0.4

Investor Coalition with Mean Experience in Host Country

Crisis Year		Political Constraints		
		low	**Mean**	**high**
	Mean - 1SD	29443.1	1782.8	108.0
vintage	**Mean**	16586.3	1004.3	60.8
	Mean + 1SD	10571.0	640.1	38.8

Non-crisis Year		Political Constraints		
		low	**Mean**	**high**
	Mean - 1SD	2.5	0.8	0.2
vintage	**Mean**	3.2	1.0	0.3
	Mean + 1SD	3.9	1.2	0.4

Investor Coalition with High Experience in Host Country

Crisis Year		Political Constraints		
		low	**Mean**	**high**
	Mean - 1SD	6068.4	367.5	22.3
vintage	**Mean**	3418.5	207.0	12.5
	Mean + 1SD	2178.7	131.9	8.0

Non-crisis Year		Political Constraints		
		low	**Mean**	**high**
	Mean - 1SD	2.5	0.8	0.2
vintage	**Mean**	3.2	1.0	0.3
	Mean + 1SD	3.9	1.2	0.4

Table 8: Top Ten Predicted Hazards for 1999-2001 that Did Not Encounter Policy Change or Dispute During Sample Period

country	fname	year of investment	year of (expected) operation	Notes on any reported resistance
BRAZIL	MACHADINHO DAM/ SMELTER PROJECT	1996	2003	2001: 1,500 protesters occupy Ministry of Mines and Energy and picket Inter-American Development Bank protesting forced resettlement to make way for hydroelectric power facility. Continued regulatory uncertainty combined with a drought that leaves Machidno plant inoperable for 20 days leads to suspension by Tractebel of
BRAZIL	ELETROSUL PRIVATIZATION - GERASUL	1998	1998	2002: Suspension and redesign of regulatory reforms after power crisis triggered by 2001 drought; Tractebel suspends all new investment in Gerasul.
PHILIPPINES	ILIJAN POWER PROJECT	1999	2002	2002: Mirant and Philippine government dispute rationale for delay of opening of Ilijan power plant. Mirant claims new President's review of all government contracts signed by Estrada led to delay whereas government focuses on subsequent technical glitches.
PAKISTAN	JIO BAGGA POWER PLANT	1995	1998	n/a
THAILAND	SIAM POWER (SIPCO) /SSP IND. ESTATE	1997	?	2003: Japanese creditors engaged in dispute with Thai courts regarding interpretation of Thai bankruptcy law in 2000 payment from Siam Strip Mill to Siam Power; allegations that court is favoring Thai over Japanese interests
TURKEY	MARMARA POWER PLANT	1996	1999	n/a
INDIA	ISPAT STEEL WORKS PROJECT/BHADRAV	1999	2002	Plant still not built due to ongoing disputes over guarantees for payment for electricity from bankrupt or insolvent state electricity boards
INDIA	VEMBAR LNG POWER PLANT	1998	2002	2003: Government fails to implement 1997 agreement raising gas prices to competitive levels leading to lack of development of new gas fields, shortages of gas, and delays in gas fired power plants such as Vembar LNG.
BRAZIL	USINA HIDRELETRICA DE ITA/ INDUST. POWER	1995	2000	350 protestors occupy Brazilian headquarters of Tractebel protesting resttlement policies of villagers in dams including Ita. Continued regulatory uncertainty combined with a drought that leaves Ita operating at 15% of capacity leads to suspension by Tractebl of new projects in 2003.
INDIA	KORBA WEST POWER PLANT	1999	?	Plant still not built due to ongoing disputes over guarantees for payment for electricity from bankrupt or insolvent state electricity boards

Table 9: Econometric Analysis of the Incidence of Policy Changes and Disputes, Disaggregated Dependent Variable

	Dependent Variable = Policy Change			Dependent Variable = Dispute		
	(1)	(2)	(3)	(4)	(5)	(6)
Multilateral Influence on Reform Adoption (H1 > 0)	-0.259	0.651	-0.348	1.468	0.868	0.191
	0.541	*0.021*	*0.339*	*0.020*	*0.027*	*0.402*
Multilateral Influence X Crisis (H2 > 0)	0.938			-0.506		
	0.000			*0.197*		
Multilateral Influence X Vintage (H3 < 0)	-0.250	-0.286	0.007	0.021	-0.079	0.000
	0.000	*0.000*	*0.923*	*0.639*	*0.283*	*0.993*
Multilateral Influence X Political Constraints (H4 < 0)	-9.078	-9.498	-4.609	-6.773	-7.011	-0.185
	0.000	*0.000*	*0.004*	*0.053*	*0.020*	*0.864*
Equity-Weighted Host Country Experience of Investor Coalition (H5 < 0)	-0.184	-0.195	-0.113	-0.068	-0.139	-0.029
	0.013	*0.001*	*0.344*	*0.094*	*0.098*	*0.206*
Crisis	0.877			-0.070		
	0.104			*0.849*		
Vintage of Emergent Institutions	-0.133	-0.140	-0.074	0.031	0.016	0.039
	0.076	*0.119*	*0.124*	*0.191*	*0.772*	*0.192*
Political Constraints	2.583	2.331	2.525	3.777	3.768	0.791
	0.095	*0.138*	*0.035*	*0.008*	*0.003*	*0.545*
Per Capita Gross National Income (logged)	-0.347	-0.279	-0.858	-1.010	-1.116	-0.843
	0.256	*0.519*	*0.062*	*0.000*	*0.023*	*0.023*
Megawatts (logged)	0.602	0.559	0.747	0.481	0.491	0.477
	0.000	*0.000*	*0.000*	*0.000*	*0.000*	*0.010*
Constant	*-6.876*	-5.843	-3.160	*-0.656*	-0.015	-0.676
	0.010	*0.127*	*0.428*	*0.784*	*0.997*	*0.794*
(logged)	0.436	0.417	0.462	0.443	0.531	0.423
	0.000	*0.000*	*0.000*	*0.000*	*0.000*	*0.000*
Sample	all	crisis	non-crisis	all	crisis	non-crisis
Number of Observations	5727	2937	2790	5840	3056	2784
Number of Plants	1001	751	744	1001	770	738
Number of Events (dependent variable=1)	124	86	38	102	68	34
Log Likelihood	-337.05	-230.23	-99.9	-347.41	-210.06	-130.38

Figure 1

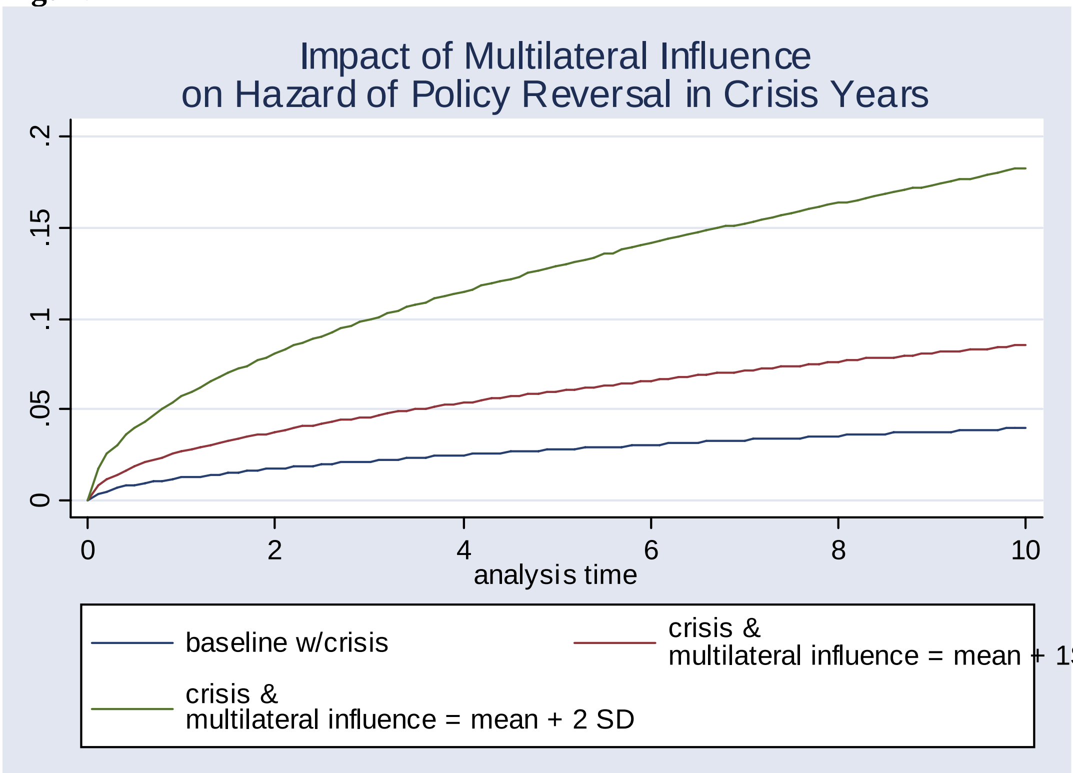

Figure 2

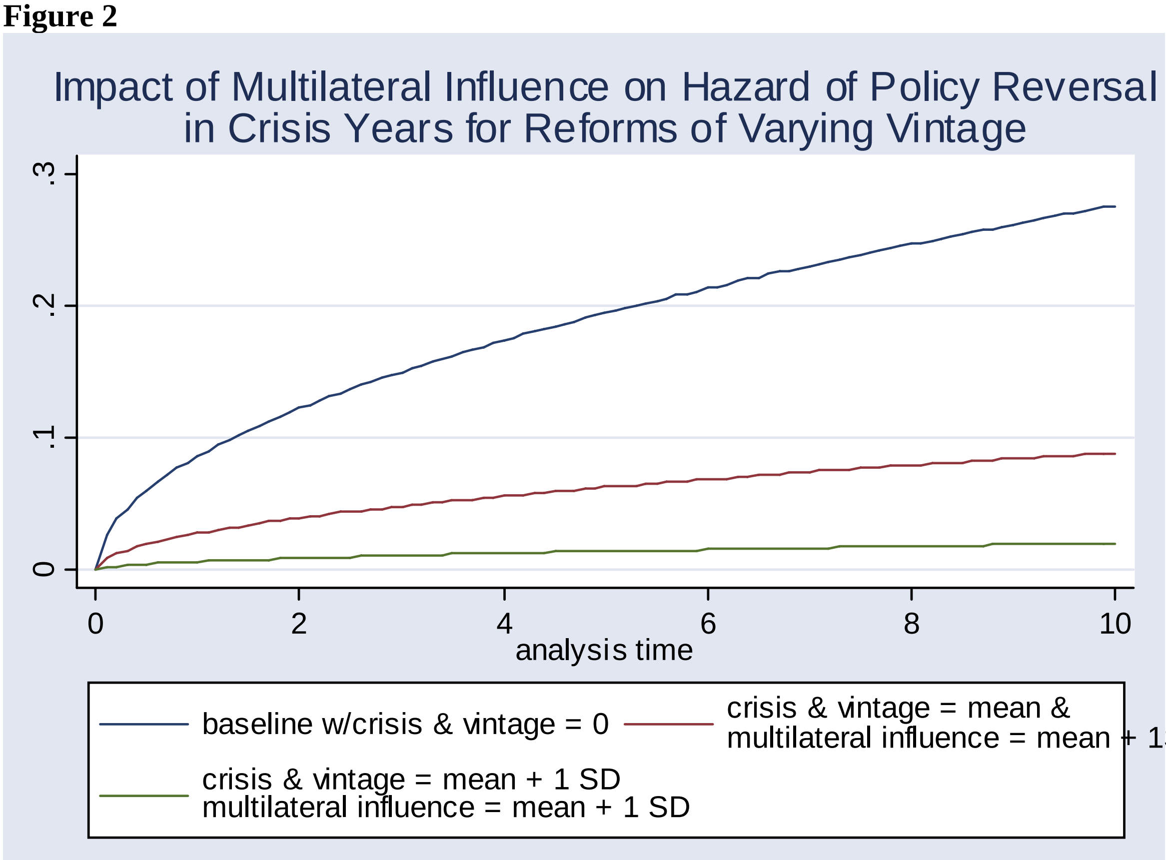

Figure 3

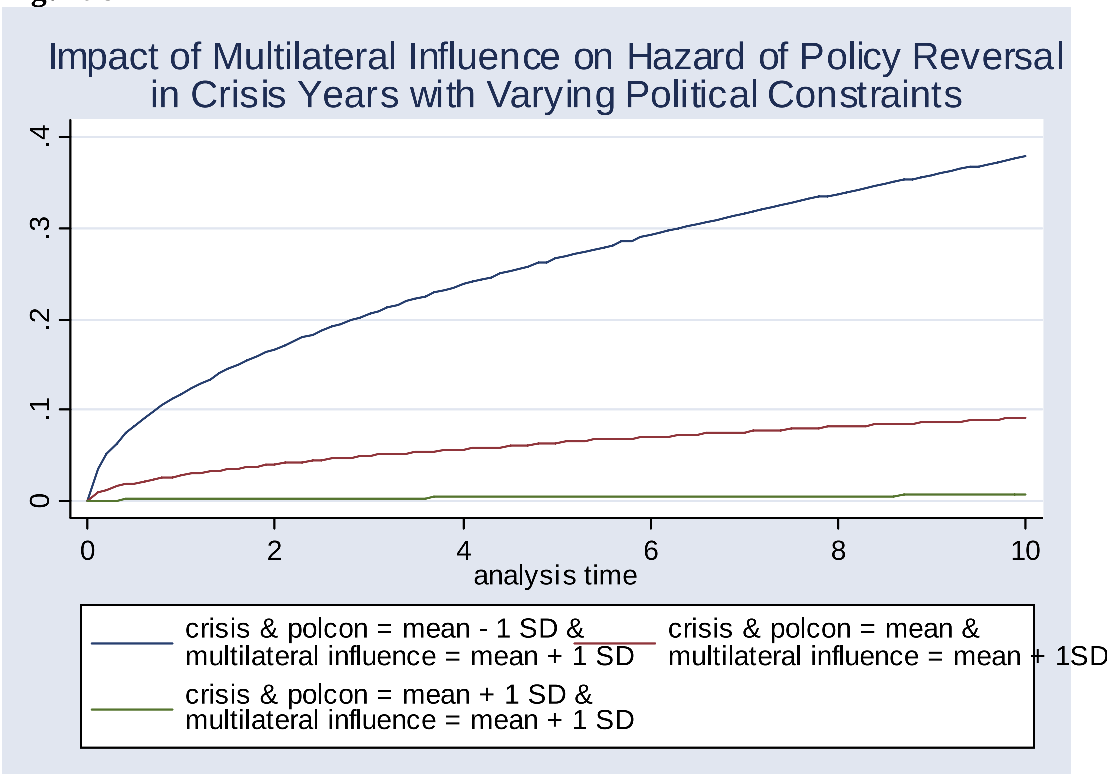

Figure 4